

Withholding Tax Frequently Asked Questions

Who is considered an employee?

An employee is someone who receives wages for services performed for his or her employer. The term wages includes all remuneration for services performed. Therefore, wages earned for services performed in Kentucky are subject to Kentucky withholding. Corporate officers are also considered employees.

How do I obtain a Withholding Tax Account Number?

A Kentucky Tax Registration Application, Revenue Form 10A100, must be filed. Once received, the application will be reviewed and an account number will be assigned indicating the filing frequency. Applications may be obtained by contacting the nearest Kentucky Taxpayer Service Center, online at revenue.ky.gov, or the following address:

Operations and Support Services Branch

Department of Revenue

Station 35

Frankfort, Kentucky 40620

(502) 564-3658

Is an out-of-state employer required to withhold?

Regulation 103 KAR 18:010(2) provides that wages paid to nonresidents are subject to withholding to the extent that they earned wages while working in Kentucky unless the nonresident employee is a resident of a reciprocal state. An out-of-state employer may voluntarily withhold Kentucky tax on a Kentucky resident who is working outside of Kentucky.

Does an employer have to withhold tax on a spouse or relative?

Yes. Tax must be withheld on a spouse employed by a spouse, son or daughter employed by parent, a parent employed by a son, daughter, or any other employee-relative.

What is a K-2?

A K-2 is the state copy of the Wage and Tax Statement (Form W-2). Copy 1 of Form K-2 must be submitted to DOR with Transmitter Report (Form 42A806). Copy 2 is to be issued to the employee to enable him or her to file an individual income tax return. Copy 2 should be issued to employees before January 31 of each year.

What happens if an employer does not submit copies of K-2s to his or her employees or DOR?

Penalties will be assessed per KRS 131.180.

Is Form 1099 required to be filed with Kentucky?

Form 1099 is not required to be submitted unless Kentucky tax is withheld.

Is tax required to be withheld on agricultural labor?

Kentucky income tax law is based on the Internal Revenue Code currently in effect for Kentucky. Section 3121(a) of the Internal Revenue Code includes agricultural wages as being taxable unless remuneration is paid in any medium other than cash, the cash amount received by an employee is less than \$150 and the employer's labor expense is less than \$2,500. Therefore, any agricultural wages taxable for federal purposes would also be considered taxable for Kentucky.

Is Kentucky tax required to be withheld on pensions?

No. Kentucky tax may be withheld voluntarily, but is not required.

What should I do if I do not receive a return?

If a return is not received 10 days before the due date, contact DOR immediately, at (502) 564-7287, so a new return can be issued. Each return is preprinted and contains coded data for processing purposes.

How do I amend information on a previously filed return?

An amended return is available by contacting a taxpayer service center and from our Web site. Refer to these sources on the inside front cover. In many cases a phone call to DOR may eliminate the need to file an amended return